

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	CC Docket No. 96-45
Federal-State Joint Board)	
On Universal Service)	

Comments of Beacon Telecommunications Advisors, LLC

Beacon Telecommunications Advisors, LLC (Beacon) submits these comments in response to the Commission’s Notice of Proposed Rulemaking (NPRM) in the above-captioned proceeding.

Beacon is a regulatory, financial, and management consulting firm providing services to over 60 rural local exchange carriers (LECs) and communications companies throughout the United States, predominantly in Oklahoma, Kansas, Missouri, Colorado, Arkansas, Texas, Alaska, Arizona, New Mexico, Illinois, Louisiana, Indiana, and Minnesota. All of Beacon’s clients represented in these comments are directly impacted by decisions related to the issues presented in this proceeding.

Summary of Opinion

Beacon believes the definitions of “reasonably comparable” and “sufficient”, while somewhat abstract and open to interpretation, are explainable in the context of how they apply to traditional rate of return regulation. This form of regulation is the method in which our clients generally operate under in the interstate jurisdiction.

Reasonably Comparable

Absolute equality of urban and rural rates would certainly meet the definition of reasonably comparable rates, but such a definition would be too restrictive. Therefore, it

would appear appropriate to have some sort of banding around the urban rate such that any rural rate within that band would be deemed reasonably comparable. Rather than “reinventing the wheel”, Beacon believes the definition of “reasonably comparable” should rest in historical documentation and evidence as represented in past proceedings. Therefore, Beacon believes the definition of “reasonably comparable” can in part be obtained from current FCC rules that support other related topics, such as federal high cost support. As such, Part 36.631(a)(1)&(2) states that unseparated loop cost per working loop, if in the range of 115% to 150% of the national average for this cost, is allowed an additional expense adjustment for allocated interstate expense for companies falling within this range.¹ Given the existing record, the recommendation of the Joint Board for this rule, and the results produced by this rule, it could also be stated that this range is a fair and logical representation for determining what is “reasonably comparable” in this current proceeding.

One recommendation may be to utilize the above range as a maximum deviation in determining the comparability between rural and urban rates, based upon the definition of urban versus rural mentioned previously. Another option would be to use this zone of reasonableness and apply it to the rates for similar services of the closest urban ILEC or the largest urban ILEC. A third option, as presented in the “Kansas Telecommunications Act of 1996”², may be to set the benchmark equal to statewide average rates. In this regard, LECs deviating from that standard would be allowed to submit their company-specific rates for collection of additional funding as necessary. With this recommendation, states would furthermore not be at the mercy of using a nationwide benchmark to determine rate comparability that may not be applicable due to each individual states’ economic factors such as demographic, cost of living, and inflation disparities.

Sufficient

¹ Code of Federal Regulations, Title 47, Part 36 – Jurisdictional Separations Procedures

² Chapter 268, Kansas Telecommunications Act of 1996, Section 6(d)

The preservation and advancement of universal service, as identified in Section 254(b)(5), requires that there should be specific, predictable, and sufficient Federal and State mechanisms to promote these assertions.³ In particular, Beacon clients endorse the definition of sufficient, as provided in this context, to mean adequate, ample, or satisfactory in relation to how these apply to rate of return regulation. Since small and rural LECs are generally rate of return companies, reductions in one revenue source will eventually need to be made up elsewhere. In addition, these companies are usually high cost companies and have limited funding options, therefore relying on (and in essence requiring) Federal and State universal support mechanisms to “make them whole” in the financial sense. While the primary reason is to prevent confiscation of property (costs), this is also imperative for 2 other reasons: 1) to make universal service available to all Americans at affordable rates, and 2) to allow infrastructure and network enhancements to their customers in an effort to provide comparable telecommunications services.

Because small and rural LECs currently receive much of their revenues on a historical, embedded, and fully distributed costs basis in accordance with Part 36⁴, Beacon believes this methodology provides a reasonable foundation for fulfilling the “sufficient” requirements per Section 254(b)(5). In other words, allowing these companies to receive funding based on current Part 36 rules will permit them to obtain sufficient funding for purposes of providing universal service.

Conclusion

Beacon believes the definitions of “reasonably comparable” and “sufficient” should encompass the importance and relevancy of rate of return regulation, particularly how these concepts apply to small and rural LECs. With that, Beacon recommends adopting definitions in accordance with suggestions presented in these comments.

Respectfully submitted,

³ 47 U.S.C., Section 254(b)(5)

⁴ Code of Federal Regulations, Title 47, Part 36 – Jurisdictional Separations Procedures

Beacon Telecommunications Advisors, LLC

[Filed Electronically]

Doug Kitch
Beacon Telecommunications Advisors
2110 Vickers Drive, Suite 2106
Colorado Springs, CO 80918

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